## THE OFFICE OF REGULATORY STAFF SURREBUTTAL TESTIMONY

**OF** 

**CHRISTINA A. STUTZ** 

**JULY 6, 2010** 



**DOCKET NO. 2009-473-WS** 

Application of Tega Cay Water Service, Incorporated for Adjustment of Rates and Charges July 6, 2010 Page 1 of 4

1		SURREBUTTAL TESTIMONY OF CHRISTINA A. STUTZ
2		FOR
3		THE OFFICE OF REGULATORY STAFF
4		<b>DOCKET NO: 2009-473-WS</b>
5	IN	RE: APPLICATION OF TEGA CAY WATER SERVICE, INCORPORATED
6		FOR ADJUSTMENT OF RATES AND CHARGES
7		
8	Q.	HAVE YOU PRE-FILED DIRECT TESTIMONY ON BEHALF OF THE
9		SOUTH CAROLINA OFFICE OF REGULATORY STAFF ("ORS") IN
10		THIS PROCEEDING?
11	Α.	Yes. I pre-filed direct testimony reflecting ORS findings in this
12		proceeding on June 8, 2010.
13	Q.	WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?
14	A.	The purpose of my surrebuttal testimony is to respond on behalf of ORS to
15		the issues raised in the Tega Cay Water Service, Inc. ("TCWS") rebuttal
16		testimony filed by Steve Lubertozzi on June 30, 2010.
17	Q.	WHAT IS ORS'S POSITION REGARDING RATE CASE EXPENSES?
18	A.	ORS included only known and measurable rate case expenses as of March
19		1, 2010 in the direct testimony and exhibits. Since that time, ORS has received
20		documentation for additional rate case expenses of \$4,000. As of June 30, 2010,
21		ORS has verified documented rate case expenses of \$75,588 associated with this
22		rate proceeding.

July 6, 2010

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- ORS's amortization period for this case is based on the time between previous rate cases. TCWS's last three rate case filings were in 1992, 1996, and 2006. Based on the time between previous rate cases, ORS considered a five-year amortization period more reasonable.
- 7 Q. WHAT IS ORS'S CURRENT ADJUSTMENT FOR RATE CASE
- 8 EXPENSES?
- ORS amortized \$75,588 over a five-year period resulting in the test year amount of \$15,118, less the per book amount of \$54,588, for an adjustment of \$39,470).
- 12 Q. WHAT IS ORS'S POSITION REGARDING PRO FORMA PLANT
  13 PROPOSED BY THE COMPANY?
  - A. ORS based the gross plant amount filed in the direct testimony on known and measurable plant at that time. As of June 30, 2010, TCWS has completed additional gross plant, at a cost of \$688,009, consisting of two ultraviolet disinfection units and two phosphorous control units. These units replaced a chlorinator/de-chlorinator system with a retirement value of \$5,100. The net adjustment to plant was \$682,909. This plant has been verified as in service by South Carolina Department of Health and Environmental Control and ORS's Water and Wastewater Department.
- 22 Q. ARE THERE ANY OTHER ADJUSTMENTS BASED ON THE
  23 ADDITIONS TO GROSS PLANT?

22

1	<b>A.</b>	Yes. Adjustments were made to accumulated depreciation as reflected in
2		Adjustment 28. Additionally, ORS proposes to remove (\$10,352) for chemicals
3		associated with the operations and maintenance of the retired chlorinator/de-
4		chlorinator system as shown in Adjustment 9.
5	Q.	DOES ORS PROPOSE ANY ADDITIONAL ADJUSTMENTS?
6	A.	Fall-out adjustments affected by the above changes included depreciation,
7		income taxes, cash working capital, and interest expense. These adjustments are
8		reflected in the surrebuttal exhibits.
9	Q.	DO YOU AGREE WITH MR. LUBERTOZZI THAT USE OF THE
10		NATIONAL ASSOCIATION OF REGULATORY UTILITY
11		COMMISSIONERS ("NARUC") UNIFORM SYSTEM OF ACCOUNTS
12		("USOA") ACCOUNT NUMBERING SCHEME IS OPTIONAL?
13	Α.	Yes. ORS agrees that according to the accounting instructions for Class B
14		Water and Wastewater Utilities, "Each utility may adopt such scheme of account
15		numbers as it deems appropriate; provided, however, that it shall keep readily
16		available a list of the account numbers and subdivisions of accounts which it uses
17		and a reconciliation of such account numbers" ORS was provided with a
18		reconciliation of the accounts after the examination was completed. While the
19		Company has the option to use another numbering system, it is very important to
20		be able to reconcile the accounts provided in the Company's application to the
21		NARUC USOA. ORS requests that the Company be required to file the account

reconciliation with its future rate applications. It should also be noted that the

y 6, 2010

- Company does file its Annual Report with the Commission in accordance with the
- 3 O. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?
- 4 A. Yes, it does.

#### Operating Experience, Rate Base and Rates of Return For the Test Year Ended December 31, 2008 Combined Operations

	(1)	(2) Accounting	(3) After	(4)	(5) After
Decodeston	Application Per	& Pro Forma	Accounting & Pro Forma	Applicant's Proposed	Applicant's Proposed Increase
Description	Books	Adjustments \$	Adjustments \$	Increase	\$
Operating Revenues:	ų.	<b>J</b>	Φ	<b>J</b>	•
Service Revenues - Water	366,602	(1,074) (A)	365,528	79,902 (0	CC) 445,430
Service Revenues - Sewer	736,879	3,331 (A)	740,210	159,160 (0	,
Miscellaneous Revenues	24,252	3,420 (B)	27,672	1,541 (1	
Uncollectible Accounts	(7,790)	5,679 (C)	(2,111)	<u>(456)</u> (1	EE) (2,567)
Total Operating Revenues	1,119,943	11,356	1,131,299	240,147	1,371,446
Maintenance Expenses:					.=
Salaries and Wages	195,275	(16,910) ( <b>D</b> )	178,365	0	178,365
Purchased Power	54,879	0 (E)	54,879	0	54,879
Purchased Sewer & Water	(84,298)	80,152 (F)	(4,146)	0	(4,146)
Maintenance and Repair	230,065	13,813 (G)	243,878	0	243,878
Maintenance Testing	37,380	(16,092) (H)	21,288	0	21,288
Chemicals	23,313	(10,352) (I)	12,961	0	12,961
Transportation Class No. 11	37,915	(13,899) (J)	24,016	0	24,016
Operating exp. Charged to Plant	(52,642)	(1,267) (K)	(53,909)	0	(53,909)
Outside Services - Other	26,089	(492) (L)	25,597	0	25,597
Total	467,976	34,953	502,929	0	502,929
General Expenses:					
Salaries and Wages	105,000	(43,540) ( <b>M</b> )	61,460	0	61,460
Office Supplies & Other Office Exp.	40,311	(1,272) (N)	39,039	0	39,039
Regulatory Commission Exp.	54,588	(39,470) ( <b>O</b> )	15,118	0	15,118
Pension & Other Benefits	62,718	3,554 ( <b>P</b> )	66,272	0	66,272
Insurance	27,675	0	27,675	0	27,675
Office Utilities	24,678	(592) (Q)	24,086	0	24,086
Miscellaneous	18,198	(1,444) ( <b>R</b> )	16,754	0	16,754
Total	333,168	(82,764)	250,404	0	250,404
Depreciation	291,862	(49,468) (S)	242,394	0	242,394
Taxes Other Than Income	90,701	21,670 (T)	112,371	2,304 (1	
Deferred Income Taxes - State & Fed	(22,833)	0 ` ′	(22,833)	0 `	(22,833)
Income Taxes - State & Fed	2,411	7,133 (U)	9,544	90,973 (0	
Amortization of C1AC	(173,350)	43,120 (V)	(130,230)		(130,230)
Total	188,791	22,455	211,246	93,277	304,523
Total Operating Expenses	989,935	(25,356)	964,579	93,277	1,057,856
Total Operating Income	130,008	36,712	166,720	146,870	313,590
Less: Interest During Construction	(24,894)	24,894( <b>W</b> )	0	0	0
Net Income for Return	154,902	11,818	166,720	146,870	313,590
Original Cost Rate Base:					
Gross Plant in Service	12,472,631	1,576,334 (X)	14,048,965	0	14,048,965
Accumulated Depreciation	(3,601,952)	148,467 (Y)	(3,453,485)	0	(3,453,485)
Net Plant in Service	8,870,679	1,724,801	10,595,480	0	10,595,480
Cash Working Capital	111,480	(17,313) ( <b>Z</b> )	94,167	0	94,167
Contributions in Aid of Construction	(6,326,120)	(43,120) (AA)		0	(6,369,240)
Accumulated Deferred Income Taxes	(616,840)	0	(616,840)	0	(616,840)
Customer Deposits	(51,227)	0	(51,227)	0	(51,227)
Total Rate Base	1,987,972	1,664,368	3,652,340	0	3,652,340
Return on Rate Base	7.79%		4.56%		8.59%
Operating Margin	1.08%		3.38%		13.50%
Interest Expense	142,758	(14,276) <b>(BB)</b>	128,482		128,482

### Tega Cay Water Service, Inc. Docket No. 2009-473-WS Operating Experience, Rate Base and Rates of Return For the Test Year Ended December 31, 2008 Water Operations

Perc   Per   Per		(1) Application	(2) Accounting	(3) After Accounting &	(4) Applicant's		(6) After Applicant's
Describe Revenues:	Description	Books	Adjustments	Adjustments	Increase	_	Increase
Miscellaneous Revenues   8,057   8,090   (8)   16,147   510   (100)   16,666	Operating Revenues:	<b>4</b>	Ψ	Ψ	Ψ		•
Total Page   Tanas	Service Revenues - Water	366,602	(1,074) (A)	365,528	79,902 (	(CC)	445,430
Maintenance Expenses:   Salaries and Wages   98,295   0,513 (D)   89,782   0   89,782   0   6,595   0 (E)   6,695   0 (E)	Miscellaneous Revenues	8,057		16,147	519 (	(DD)	16,666
Maintenance Expenses:   Salaries and Wages   98,295   (8,513) (D)   89,782   0   89,782   Purchased Power   6,595   0 (E) 6,59	Uncollectible Accounts	(2,588)	1,894_(C)	(694)	(152)	(EE) _	(846)
Salaries and Wages   98,295   (8,151) (ID)   89,782   0   89,782   Purchased Power   6,5995   0 (R)   6,5955   0   6,5955   Purchased Water   (84,298)   80,152 (F)   (4,146)   0   (4,146)   Maintenance and Repair   43,734   6,953 (G)   50,687   0   50,687   Maintenance Testing   22,413   (8,101) (H)   14,312   0   14,312   Chemicals   11,735   0 (I)   11,735   Transportation   19,085   (6,999) (J)   12,090   0   12,290   (2,090)	Total Operating Revenues	372,071	8,910	380,981	80,269	-	461,250
Purchased Power	Maintenance Expenses:						
Purchased Water	Salaries and Wages	98,295	(8,513) <b>(D)</b>	89,782	0		89,782
Maintenance and Repair         43,734         6,935 (G)         50,687 (Maintenance Testing         22,413 (R,101) (H)         14,312 (Demicals (R,101) (H)         11,735 (G,995) (I)         11,735 (G,995) (I)         11,735 (G,995) (I)         0         11,735 (G,995) (I)         11,735 (G,995) (I)         0         12,086 (G,995) (I)         12,129 (G,995) (I)         0         12,088 (G,995) (I)         12,288 (G,995) (I)         13,293 (G,995) (I)         13,093	Purchased Power	6,595	0 (E)	6,595	0		6,595
Maintenance Testing   22,413	Purchased Water	(84,298)	80,152 (F)	(4,146)	0		(4,146)
Chemicals	Maintenance and Repair	43,734	6,953 (G)	50,687	0		50,687
Transportation   19.085   (6.995) (J)   12.090   0   12.090   12.090   Operating exp. Charged to Plant   (26.498)   (640) (K)   (27.138)   0   (27.138)   0   12.884   0   12.884   Total   104.193   62.608   166.801   0   166.801   Total   104.193   Total   167.706   (41.663)   126.043   0   126.043   Total   167.706   167.7	Maintenance Testing	22,413	(8,101) (H)	14,312	0		14,312
Operating exp Charged to Plant   (26,498)	Chemicals	11,735	0 (I)	11,735	0		11,735
Operating exp Charged to Plant Outside Services - Other         (26,498)         (640) (K)         (27,138)         0         (27,138)           Outside Services - Other         13,132         (248) (L)         12,884         0         12,884           Total         104,193         62,608         166,801         0         166,801           General Expenses:           Salaries and Wages           52,854         (21,918) (M)         30,936         0         30,936           Office Supplies & Other Office Exp.         20,291         (640) (N)         19,651         0         7,690           Pension & Other Benefits         31,570         1,789 (P)         33,359         0         33,359           Insurance         13,931         0         13,931         0         13,931           Office Utilities         12,422         (298) (Q)         12,124         0         12,604           Miscellaneous         9,160         (727) (R)         8,433         0         8,433           Total         167,706         (41,653)         126,043         0         126,043           Depreciation         81,853         117,395 (S)         64,458         0         64,458           Taxe	Transportation	19,085	(6,995) (J)	12,090	0		12,090
Dutside Services - Other   13,132	Operating exp. Charged to Plant	(26,498)		(27,138)	0		(27,138)
Salaries and Wages				, , ,	0	_	
Salaries and Wages   52,854   (21,918) (NI)   30,936   0   30,936   Office Supplies & Other Office Exp.   20,291   (640) (N)   19,651   0   19,651   No	Total	104,193	62,608	166,801	0	_	166,801
Salaries and Wages   52,854   (21,918) (NI)   30,936   0   30,936   Office Supplies & Other Office Exp.   20,291   (640) (N)   19,651   0   19,651   No	Canaral Evnances						
Office Supplies & Other Office Exp.         20,291         (640) (N)         19,651         0         19,651           Regulatory Commission Exp.         27,478         (19,869) (D)         7,609         0         7,509           Pension & Other Benefits         31,570         1,789 (P)         33,359         0         33,359           Insurance         13,931         0         11,931         0         12,124           Office Utilities         12,422         (298) (Q)         12,124         0         12,124           Miscellaneous         9,160         (727) (R)         8,433         0         8,433           Total         167,706         (41,663)         126,043         0         126,043           Depreciation         81,833         (17,395) (S)         64,458         0         64,458           Taxes Other Than Income         42,653         9,100 (T)         51,753         770 (FF)         52,523           Deferred Income Taxes - State & Fed         801         (8,079) (U)         (7,286)         0         (7,586)         0         (7,586)         1         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         0         (7,586)         0		52 854	(21.918) (MI)	30.936	0		30 936
Regulatory Commission Exp.         27,478         (19,869) (O)         7,609         0         7,609           Pension & Other Benefits         31,570         1,789 (P)         33,359         0         33,359           Insurance         13,931         0         13,931         0         13,931           Office Utilities         12,422         (298) (Q)         12,124         0         12,124           Miscellaneous         9,160         (727) (R)         8,433         0         8,433           Total         167,706         (41,63)         126,043         0         126,043           Depreciation         81,853         (17,395) (S)         64,458         0         64,458           Taxes Other Than Income         42,653         9,100 (T)         51,753         70 (FF)         52,523           Deferred Income Taxes - State & Fed         (7,586)         0         (7,586)         0         (7,586)           Income Taxes - State & Fed         801         (8,079) (U)         (7,278)         30,407 (GG)         23,129           Amortization of CIAC         42,933         10,646 (V)         30,224,60         31,177         100,237           Total Operating Expenses         346,687         15,217         361	· ·			•	-		
Pension & Other Benefits   31,570   1,789   P)   33,359   0   33,359     Insurance   13,931   0   13,931   0   12,124     Miscellaneous   9,160   (727)   R)   8,433   0   8,433     Total   167,706   (41,663)   126,043   0   126,043     Depreciation   81,853   (17,395)   (5)   64,458   0   64,458     Taxes Other Than Income   42,653   9,100   (T)   51,753   770   (FF)   52,523     Deferred Income Taxes - State & Fed   (7,586)   0   (7,586)   0   (7,586)   0   (7,586)     Income Taxes - State & Fed   801   (8,079)   (U)   (7,278   30,407   (GG)   23,129     Amortization of CIAC   (42,933)   10,646   (V)   (32,287)   0   (32,287)     Total Operating Expenses   346,687   15,217   361,904   31,177   393,081     Total Operating Income   25,384   (6,307)   19,077   49,092   68,169     Less: Interest During Construction   (5,079)   5,079   (W)   0   0   0     Net Income for Return   30,463   (11,386)   19,077   49,092   68,169     Original Cost Rate Base:   (76,5249)   (10,646   (AA)   (1,386)   (	•••			•	*		
Insurance   13,931   0   13,931   0   13,931   0   13,931   Office Utilities   12,422   (298) (Q)   12,124   0   12,124   Miscellaneous   9,160   (727) (R)   8,433   0   8,433   0   8,433   0   8,433   Total   167,706   (41,663)   126,043   0   126,043   Depreciation   81,853   (17,395) (S)   64,458   0   64,458   0   64,458   0   64,458   0   64,458   0   64,458   0   64,533   0   0   (7,586)   0   (7,586)   0   (7,586)   10,000   126,043   0   (7,586)   10,000	• •				-		
Office Utilities         12,422         (298) (Q)         12,124         0         12,124           Miscellaneous         9,160         (727) (R)         8,433         0         8,433           Total         167,706         (41,663)         126,043         0         126,043           Depreciation         81,853         (17,395) (S)         64,458         0         64,458           Taxes Other Than Income         42,653         9,100 (T)         51,753         770 (FF)         52,523           Deferred Income Taxes - State & Fed         (7,586)         0         (7,586)         0         (7,586)           Income Taxes - State & Fed         801         (8,079) (U)         (7,278)         30,407 (GG)         23,129           Amortization of CIAC         (42,933)         10,646 (V)         (32,287)         0         (32,287)           Total         74,788         (5,728)         69,060         31,177         100,237           Total Operating Expenses         346,687         15,217         361,904         31,177         393,081           Total Operating Income         25,384         (6,307)         19,077         49,092         68,169           Original Cost Rate Base:         2         581,256 <t< td=""><td></td><td></td><td>. ,</td><td>•</td><td>-</td><td></td><td></td></t<>			. ,	•	-		
Miscellaneous         9,160         (727) (R)         8,433         0         8,433           Total         167,706         (41,663)         126,043         0         126,043           Depreciation         81,853         (17,395) (S)         64,458         0         64,458           Taxes Other Than Income         42,653         9,100 (T)         51,753         770 (FF)         52,523           Deferred Income Taxes - State & Fed         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         1         100,237         1         100,237         1         100,237         1         100,237         1         100,237         1         100,237         1         100,237         1			=		-		-
Total   167,706   (41,663)   126,043   0   126,043			, , , -,	•	*		
Depreciation         81,853 (17,395) (S)         64,458 (0)         0         64,458 (0)           Taxes Other Than Income         42,653 (0)         9,100 (T)         51,753 (0)         770 (FF)         52,523 (0)           Deferred Income Taxes - State & Fed Income Inc	Miscellaneous	9,100	(/2/) (R)	8,433	0	_	8,433
Taxes Other Than Income         42,653         9,100 (T)         51,753         770 (FF)         52,523           Deferred Income Taxes - State & Fed         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         32,129         22,3129         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         10,237         0         10,0237         0<	Total	167,706	(41,663)	126,043	0	_	126,043
Taxes Other Than Income         42,653         9,100 (T)         51,753         770 (FF)         52,523           Deferred Income Taxes - State & Fed         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         (7,586)         0         32,129         22,3129         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         (32,287)         0         10,237         0         10,0237         0<	Depreciation	81 853	(17.395) (8)	64.458	0		64.458
Deferred Income Taxes - State & Fed Income Incom	•					FF)	
Income Taxes - State & Fed Amortization of CIAC				·	,	,	
Amortization of CIAC         (42,933)         10,646 (V)         (32,287)         0         (32,287)           Total         74,788         (5,728)         69,060         31,177         100,237           Total Operating Expenses         346,687         15,217         361,904         31,177         393,081           Total Operating Income         25,384         (6,307)         19,077         49,092         68,169           Less: Interest During Construction         (5,079)         5,079 (W)         0         0         0           Net Income for Return         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         2         581,256 (X)         3,234,685         0         3,234,685           Gross Plant in Service         2,653,429         581,256 (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Constructio				, , ,		(CG)	
Total         74,788         (5,728)         69,060         31,177         100,237           Total Operating Expenses         346,687         15,217         361,904         31,177         393,081           Total Operating Income         25,384         (6,307)         19,077         49,092         68,169           Less: Interest During Construction         (5,079)         5,079         (W)         0         0         0           Net Income for Return         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate B					, ,	(00)	
Total Operating Expenses         346,687         15,217         361,904         31,177         393,081           Total Operating Income         25,384         (6,307)         19,077         49,092         68,169           Less: Interest During Construction         (5,079)         5,079 (W)         0         0         0           Net Income for Return         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         Gross Plant in Service         2,653,429         581,256 (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (35,786)         0         (25,786)         0 <td></td> <td>(12,111)</td> <td></td> <td></td> <td></td> <td>_</td> <td>(,,</td>		(12,111)				_	(,,
Total Operating Income         25,384         (6,307)         19,077         49,092         68,169           Less: Interest During Construction         (5,079)         5,079         (W)         0         0         0           Net Income for Return         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:           Gross Plant in Service         2,653,429         581,256         (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568         (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (25,786)         0         (25,786)           Total Rate Base         11,239         649,465         660,70	Total	74,788	(5,728)	69,060	31,177		100,237
Less: Interest During Construction         (5,079)         5,079 (W)         0         0         0           Net Income for Return         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         Gross Plant in Service         2,653,429         581,256 (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         660,704         0         660,704         0         660,704         0         660,704         0	Total Operating Expenses	346,687	15,217	361,904	31,177	_	393,081
Net Income for Return         30,463         (11,386)         19,077         49,092         68,169           Original Cost Rate Base:         Gross Plant in Service         2,653,429         581,256 (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)           Customer Deposits         (25,786)         0         (25,786)         0         (25,786)           Total Rate Base         11,239         649,465         660,704         0         660,704           Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%	Total Operating Income	25,384	(6,307)	19,077	49,092		68,169
Original Cost Rate Base:           Gross Plant in Service         2,653,429         581,256 (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)           Customer Deposits         (25,786)         0         (25,786)         0         (25,786)           Total Rate Base         11,239         649,465         660,704         0         660,704           Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%	Less: Interest During Construction	(5,079)	5,079_( <b>W</b> )	0	0		00
Gross Plant in Service         2,653,429         581,256 (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         9,74%         0         9,74%         0         0<	Net Income for Return	30,463	(11,386)	19,077	49,092	_	68,169
Gross Plant in Service         2,653,429         581,256 (X)         3,234,685         0         3,234,685           Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         9,74%         0         9,74%         0         0<	Original Cost Rate Base:						
Accumulated Depreciation         (740,755)         81,568 (Y)         (659,187)         0         (659,187)           Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         69,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704	· · · · · · · · · · · · · · · · · · ·	2.653.429	581.256 (X)	3.234.685	0		3.234.685
Net Plant in Service         1,912,674         662,824         2,575,498         0         2,575,498           Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         660,704         0         660,704           Total Rate Base         11,239         649,465         660,704         0         660,704           Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%							
Cash Working Capital         39,319         (2,713) (Z)         36,606         0         36,606           Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)           Customer Deposits         (25,786)         0         (25,786)         0         (25,786)           Total Rate Base         11,239         649,465         660,704         0         660,704           Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%	•						
Contributions in Aid of Construction         (1,576,239)         (10,646) (AA)         (1,586,885)         0         (1,586,885)           Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (338,729)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         660,704         0         600,704         0         660,704         0<					-		
Accumulated Deferred Income Taxes         (338,729)         0         (338,729)         0         (338,729)           Customer Deposits         (25,786)         0         (25,786)         0         (25,786)           Total Rate Base         11,239         649,465         660,704         0         660,704           Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%	<u> </u>						
Customer Deposits         (25,786)         0         (25,786)         0         (25,786)         0         (25,786)           Total Rate Base         11,239         649,465         660,704         0         660,704           Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%							
Total Rate Base         11,239         649,465         660,704         0         660,704           Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%							
Return on Rate Base         271.05%         2.89%         10.32%           Operating Margin         0.43%         -1.09%         9.74%	·					_	
Operating Margin         0.43%         -1.09%         9.74%						_	
Interest Expense 28,852 (5,610) (BB) 23,242 23,242						_	
	Interest Expense	28,852	(5,610) ( <b>BB</b> )	23,242			23,242

#### Operating Experience, Rate Base and Rates of Return For the Test Year Ended December 31, 2008 Sewer Operations

	(1) Application Per	(2) Accounting & Pro Forma		(3) After Accounting & Pro Forma	(4) Applicant's Proposed		(6) After Applicant's Proposed
<u>Description</u>	Books \$	Adjustments \$		Adjustments \$	Increase \$	- ,-	Increase S
Operating Revenues:	•	ų.		Ψ	4		•
Service Revenues - Sewer	736,879	3,331 (4	A)	740,210	159,160	(CC)	899,370
Miscellaneous Revenues	16,195	(4,670) (1		11,525	1,022	(DD)	12,547
Uncollectible Accounts	(5,202)	3,785 (	C) .	(1,417)	(304)	(EE)	(1,721)
Total Operating Revenues	747,872	2,446		750,318	159,878		910,196
Maintenance Expenses:							
Salaries and Wages	96,980	(8,397) (1	D)	88,583	0		88,583
Purchased Power	48,284	0 (1		48,284	0		48,284
Purchased Sewer & Water	0	0 (1	F)	0	0		0
Maintenance and Repair	186,331	6,860 (	G)	193,191	0		193,191
Maintenance Testing	14,967	(7,991) (1	H)	6,976	0		6,976
Chemicals	11,578	(10,352) (1	I)	1,226	0		1,226
Transportation	18,830	(6,904) (3	J)	11,926	0		11,926
Operating exp. Charged to Plant	(26,144)	(627) (I		(26,771)	0		(26,771)
Outside Services - Other	12,957	(244) (1	L) .	12,713	.0		12,713
Total	363,783	(27,655)		336,128	0		336,128
General Expenses:							
Salaries and Wages	52,146	(21,622) (1	M)	30,524	0		30,524
Office Supplies & Other Office Exp.	20,020	(632) (1		19,388	ő		19,388
Regulatory Commission Exp.	27,110	(19,601) (		7,509	0		7,509
Pension & Other Benefits	31,148	1,765 (1	•	32,913	0		32,913
Insurance	13,744	0	-,	13,744	0		13,744
Office Utilities	12,256	(294) (	U)	11,962	0		11,962
Miscellaneous	9,038	(717) (1		8,321	0		8,321
			- ', .		0		
Total	165,462	(41,101)		124,361			124,361
Depreciation	210,009	(32,073) (8	S)	177,936	0		177,936
Taxes Other Than Income	48,048	12,570 (	T)	60,618	1,534	(FF)	62,152
Deferred Income Taxes - State & Fed	(15,247)	0		(15,247)	0		(15,247)
Income Taxes - State & Fed	1,610	15,212 (1	U)	16,822	60,566	(GG)	77,388
Amortization of CIAC	(130,417)	32,474 (	<b>V</b> ) .	(97,943)	0		(97,943)
Total	114,003	28,183		142,186	62,100		204,286
Total Operating Expenses	643,248	(40,573)		602,675	62,100		664,775
Total Operating Income	104,624	43,019		147,643	97,778		245,421
Less: Interest During Construction	(19,815)	19,815 (	<b>W</b> ) .	0	0		0
Net Income for Return	124,439	23,204	:	147,643	97,778		245,421
Original Cost Rate Base:							
Gross Plant in Service	9,819,202	995,078 (	¥)	10,814,280	0		10,814,280
Accumulated Depreciation	(2,861,197)	66,899 (	•	(2,794,298)	ő		(2,794,298)
Net Plant in Service	6,958,005	1,061,977	-, .	8,019,982	0		8,019,982
Cash Working Capital	72,161	(14,600) (2	Z)	57,561	0		57,561
Contributions in Aid of Construction	(4,749,881)	(32,474) (4	-	(4,782,355)	0		(4,782,355)
Accumulated Deferred Income Taxes	(278,111)	Ó	,	(278,111)	0		(278,111)
Customer Deposits	(25,441)	0		(25,441)	0		(25,441)
Total Rate Base	1,976,733	1,014,903		2,991,636	0		2,991,636
Return on Rate Base	6.30%			4.94%			8.20%
Operating Margin	1.41%			5.65%			15.40%
Interest Expense	113,906	(8,666) (1	BB)	105,240		:	105,240

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Accounting and Pro forma Adjustments		•	-
Operating Revenues			
(A) Service Revenues			
1 To adjust service revenues to reflect test year customer billings.			
Per ORS	2,257	(1,074)	3,331
Per TCWS	(954)	(3,938)	2,984
(B) Miscellaneous Revenues			
2 To adjust miscellaneous revenues to reflect an increase in late payment charges and account for revenue received by a third party vendor.			
Per ORS	3,420	8,090	(4,670)
Per TCWS	0	0	0
(C) Uncollectible Accounts			
3 To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.			
Per ORS	5,679	1,894	3,785
Per TCWS	(7,767)	(5,243)	(2,524)
Maintenance Expenses			
(D) Salaries & Wages			
4 To annualize operators' salaries for the test year.			
Per ORS	(16,910)	(8,513)	(8,397)
Per TCWS	(40,714)	(20,494)	(20,220)
(E) Purchased Power			
5 ORS does not propose to adjust for inflation.			
Per ORS	0	0	0
Per TCWS	3,122	375	2,747
(F) Purchased Sewer & Water			
6 To adjust purchased water for a 2007 accrual and a 2007 payment booked in the test year.			
Per ORS	80,152	80,152	0
Per TCWS	80,152	80,152	0

Positive Test Teal Ended Dece	\$ Combined	\$ Water	\$ Sewer
Description	Operations	Operations	Operations
(G) Maintenance and Repair			
7 To adjust maintenance and repair expense to include items from plant that should have been expensed during the test year and remove the deferred maintenance account per Order No. 2006-582. ORS does not propose to adjust for inflation.			
Per ORS	13,813	6,953	6,860
Per TCWS	(5,305)	(6,771)	1,466
(H) Maintenance Testing			
8 To adjust maintenance testing expense to remove pass-through DHEC fees and undocumented expenses and to reflect actual billed DHEC amounts for operating permits.			
Per ORS	(16,092)	(8,101)	(7,991)
Per TCWS	(8,169)	(4,112)	(4,057)
(I) Chemicals			
9 ORS does not propose to adjust for inflation.			
Per ORS	(10,352)	0	(10,352)
Per TCWS	1,327	668	659
(J) Transportation			
10 To adjust for allocated transportation expenses including fuel and auto repairs. ORS does not propose to adjust for inflation.			
Per ORS	(13,899)	(6,995)	(6,904)
Per TCWS	(4,136)	(2,082)	(2,054)
(K) Operating Expenses Charged to Plant			
11 To adjust operating expense charged to plant (capitalized time) for actual salary expenses and associated taxes and benefits.			
Per ORS	(1,267)	(640)	(627)
Per TCWS	(6,997)	(3,522)	(3,475)
(L) Outside Services - Other			
12 To adjust outside service expenses for removal of undocumented expenses.			
Per ORS	(492)	(248)	(244)
Per TCWS	0	0	0

For the 1est Year Ended Dece	\$ Combined	\$ Water	\$ Sewer
Description	Operations	Operations	Operations
General Expenses			
(M) Salaries & Wages			
13 To annualize office salaries for the test year.			
Per ORS	(43,540)	(21,918)	(21,622)
Per TCWS	(23,393)	(11,775)	(11,618)
(N) Office Supplies & Other Office Expense			
14 To remove nonallowable amounts for awards, flowers, and miscellaneous items from office supplies and other office expenses. ORS does not propose to adjust for inflation.			
Per ORS	(1,272)	(640)	(632)
Per TCWS	2,294	1,155	1,139
(O) Regulatory Commission Expense			
15 To amortize rate case expenses over a five-year period.			
Per ORS	(39,470)	(19,869)	(19,601)
Per TCWS	30,796	15,502	15,294
(P) Pension & Other Benefits			
16 To annualize pension and other benefits associated with the adjusted test year salaries.			
Per ORS	3,554	1,789	1,765
Per TCWS	4,804	2,418	2,386
(Q) Office Utilities			
17 To adjust office utilities for undocumented expenses. ORS does not propose to adjust for inflation.			
Per ORS	(592)	(298)	(294)
Per TCWS	1,404	707	697
(R) Miscellaneous			
18 To adjust miscellaneous expense for undocumented expenses, penalties, and other nonallowables.			
Per ORS	(1,444)	(727)	(717)
Per TCWS	0	0	0
(S) Depreciation Expense			
19 To annualize depreciation expense for known and measurable plant in service.			
Per ORS	(49,468)	(17,395)	(32,073)
Per TCWS	(90,781)	(22,241)	(68,540)

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
(T) Taxes Other Than Income			
20 To adjust payroll taxes associated with the adjusted test year salaries.			
Per ORS	(7,415)	(3,733)	(3,682)
Per TCWS	(6,917)	(3,482)	(3,435)
21 To adjust gross receipts and utility/commission taxes after the accounting and pro forma adjustments using a factor of .0095919 (.003 for SCDOR and .0065919 for PSC/ORS ).			
Per ORS	(6,694)	(5,178)	(1,516)
Per TCWS	(9,773)	(722)	(9,051)
22 To adjust personal property, general, and real estate taxes to reflect actual test year amounts.			
Per ORS	35,779	18,011	17,768
Per TCWS	35,779	18,011	17,768
Total Per ORS	21,670	9,100	12,570
(U) Income Taxes			
23 To adjust state and federal income taxes after accounting and pro forma adjustments. See Audit Exhibit CAS-6.			
Per ORS	7,133	(8,079)	15,212
Per TCWS	(6,266)	(21,189)	14,923
(V) Amortization of Contributions in Aid of Construction (CIAC)			
24 To annualize the amortization of CIAC expense.			
Per ORS	43,120	10,646	32,474
Per TCWS	43,120	10,646	32,474
(W) Interest During Construction (IDC)			
25 To eliminate IDC for rate making purposes. Construction work in progress was not included in rate base; therefore, IDC is eliminated as an addition to net income.			
Per ORS	24,894	5,079	19,815
Per TCWS	24,894	5,079	19,815

Description	\$ Combined Operations	\$ Water	\$ Sewer
Description	Operations	Operations	Operations
(X) Gross Plant in Service			
26 To adjust gross plant in service for net additions documented as of December 31, 2009, remove items incorrectly capitalized, and remove plant to be paid for by third parties.			
Per ORS	1,575,067	580,616	994,451
Per TCWS	639,205	340,735	298,470
27 To capitalize salaries, taxes, and benefits associated with Operating Expenses Charged to Plant.			
Per ORS	1,267	640	627
Per TCWS	0	0	0
Total Per ORS	1,576,334	581,256	995,078
(Y) Accumulated Depreciation			
28 To reduce accumulated depreciation for pro forma plant retirements, items incorrectly capitalized, and plant to be paid by third party, as well as, adjust for depreciation for vehicles, computers, and general plant.			
Per ORS	148,467	81,568	66,899
Per TCWS	382,435	44,427	338,008
(Z) Cash Working Capital			
29 To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit CAS-7.			
Per ORS	(17,313)	(2,713)	(14,600)
Per TCWS	6,785	7,729	(944)
(AA) Contributions in Aid of Construction (CIAC)			
30 To adjust CIAC to reflect the amortization of CIAC expense as a result of ORS Adjustment 24.			
Per ORS	(43,120)	(10,646)	(32,474)
Per TCWS	(43,120)	(10,646)	(32,474)
(BB) Interest Expense			
31 To adjust interest on debt using a 53.30% and 46.70% debt to equity ratio and 6.60% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit CAS-8.			
Per ORS	(14,276)	(5,610)	(8,666)
Per TCWS	(38,172)	(15,011)	(23,161)

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Proposed Increase			
(CC) Service Revenues			
32 To adjust water and sewer service revenues for ORS's recalculation of the Company's proposed rate increase.			
Per ORS	239,062	79,902	159,160
Per TCWS	239,002	79,390	159,612
(DD) Miscellaneous Revenues			
33 To adjust miscellaneous revenues for ORS's recalculation of the Company's proposed rate increase.			
Per ORS	1,541	519	1,022
Per TCWS	0	0	0
(EE) Uncollectible Accounts			
34 To adjust for uncollectible accounts associated with the Company's proposed rate increase.			
Per ORS	(456)	(152)	(304)
Per TCWS	(3,381)	(1,714)	(1,667)
(FF) Taxes Other Than Income			
35 To adjust gross receipts and utility/commission taxes associated with the Company's proposed increase using a factor of .0095919 (.003 for SCDOR and .0065919 for PSC/ORS ).			
Per ORS	2,304	770	1,534
Per TCWS	2,689	893	1,796
(GG) Income Taxes			
36 To adjust state and federal income taxes associated with the Company's proposed increase. See Audit Exhibit CAS-6.			
Per ORS	90,973	30,407	60,566
Per TCWS	86,883	28,640	58,243

#### Audit Surrebuttal Exhibit CAS-5

#### Tega Cay Water Service, Inc. Docket No. 2009-473-WS

#### Depreciation and Amortization Expense Adjustment For the Test Year Ended December 31, 2008

_	Combined Operations	Water Operations	Sewer Operations
Depreciation Adjustment	\$	\$	\$
Gross Plant @ 12/31/08 Add:	12,472,631	2,653,429	9,819,202
Net Plant Additions Adjustment @ 12/31/09 Capitalized Time from Wages Adjustment @ 12/31/08	1,575,067 1,267	580,616 640	994,451 627
Less:	,		
Organization @ 12/31/08	(244,495)	(123,079)	(121,416)
Land @ 12/31/08	(11,036)	(5,556)	(5,480)
Vehicles @ 12/31/08	(63,879)	(32,157)	(31,722)
Computers @ 12/31/08	(282,879)	(142,401)	(140,478)
Net Plant	13,446,676	2,931,492	10,515,184
Plant Depreciation @ 1.5% (66.67 years)	201,701	43,973	157,728
Vehicles @ 12/31/08	63,879	32,157	31,722
Less: Fully Depreciated Vehicles	(14,503)	(7,301)	(7,202)
	49,376	24,856	24,520
Vehicle Depreciation @ 16.67% (6 years)	8,230	4,143	4,087
Computers @ 12/31/08	282,879	142,401	140,478
Less: Fully Depreciated Computers	(23,177)	(11,667)	(11,510)
	259,702	130,734	128,968
Computer Depreciation @ 12.5% (8 years)	32,463	16,342	16,121
Total Depreciation	242,394	64,458	177,936
Less: Per Books Depreciation	291,862	81,853	210,009
ORS Adjustment	(49,468)	(17,395)	(32,073)
Company's Adjustment	(90,781)	(22,241)	(68,540)
Amortization of CIAC Adjustment Gross CIAC @ 12/31/08	(8,681,968)	(2,152,450)	(6,529,518)
C14.C.4	(100.000)	(00.000)	
ClAC Amortization @ 1.5% (66.67 years)	(130,230)	(32,287)	(97,943)
Less: Per Books Amortization of CIAC	(173,350)	(42,933)	(130,417)
ORS Adjustment	43,120	10,646	32,474
Company's Adjustment	43,120	10,646	32,474

### Tega Cay Water Service, Inc. Docket No. 2009-473-WS Computation of Income Taxes For the Test Year Ended December 31, 2008

	\$ Combined	\$ Water	\$ Sewer
	Operations	Operations	Operations
Operating Revenues	1,131,299	380,981	750,318
Operating Expenses	977,868	376,768	601,100
Net Operating Income Before Taxes	153,431	4,213	149,218
Less: Annualized Interest Expense	128,482	23,242	105,240
Taxable Income - State	24,949	(19,029)	43,978
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	1,248	(951)	2,199
Less: State Income Taxes Per Book	(5,855)	(1,945)	(3,910)
Adjustment to State Income Taxes	7,103	994	6,109
Taxable Income - Federal	23,701	(18,078)	41,779
Federal Income Taxes %	35.0%	35.0%	35.0%
Federal Income Taxes	8,296	(6,327)	14,623
Less: Federal Income Taxes Per Book	8,266	2,746	5,520
Adjustment to Federal Income Taxes	30	(9,073)	9,103
Total Adjustment to Income Taxes	7,133	(8,079)	15,212
Afte	r Applicant's Proposed Increase		
	\$	\$	\$
	Combined Operations	Water Operations	Sewer Operations
Operating Revenues	1,371,446	461,250	910,196

	\$	S	\$
	Combined	Water	Sewer
	<u>Operations</u>	<u>Operations</u>	Operations
Operating Revenues	1,371,446	461,250	910,196
Operating Expenses	980,172	377,538	602,634
Net Operating Income Before Taxes	391,274	83,712	307,562
Less: Annualized Interest Expense	128,482	23,242	105,240
Taxable Income - State	262,792	60,470	202,322
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	13,139	3,023	10,116
Less: State Income Taxes As Adjusted	1,248	(951)	2,199
Adjustment to State Income Taxes	11,891	3,974	7,917
Taxable Income - Federal	249,653	57,447	192,206
Federal Income Taxes %	35.0%	35.0%	35.0%
Federal Income Taxes	87,378	20,106	67,272
Less: Federal Income Taxes As Adjusted	8,296	(6,327)	14,623
Adjustment to Federal Income Taxes	79,082	26,433	52,649
Total Adjustment to Income Taxes	90,973	30,407	60,566

#### Audit Surrebuttal Exhibit CAS-7

### Tega Cay Water Service, Inc. Docket No. 2009-473-WS Cash Working Capital Allowance For the Test Year Ended December 31, 2008

	\$ Combined	\$ Water	\$ Sewer
After Accounting & Pro Forma Adjustments	Operations	Operations	Operations
Maintenance Expenses	502,929	166,801	336,128
General Expenses	250,404	126,043	124,361
Total Expenses for Computation	753,333	292,844	460,489
Allowable Rate	12.50%	12.50%	12.50%
Computed Cash Working Capital	94,167	36,606	57,561
Cash Working Capital - Application Per Books	111,480	39,319	72,161
Cash Working Capital Adjustment - ORS Accounting & Pro Forma Adjustment	(17,313)	(2,713)	(14,600)
Cash Working Capital Adjustment - TCWS	6,785	7,729	(944)

Audit Surrebuttal Exhibit CAS-8

Tega Cay Water Service, Inc. Docket No. 2009-473-WS Return on Equity Capital Structure at December 31, 2008

# Combined Operations

crease	Income	n Return	3.52% \$ 128,482 5.07% 185,108	% \$ 313,590
s Proposed In	Overall	Cost/Return Cost/Return		8.59% \$
After Applicant's Proposed Increase	Fmhedded	Cost/Return	6.60% 10.85%	
Af	Rate	Base	1,946,697 1,705,643	3,652,340
ments	Income For	Return	38,238	166,720 \$
After Accounting and Pro forma Adjustments	Overeil	rn Cost/Return	3.52% \$	4.56% \$
counting and F	Embedded	Cost/Return Cost/Retu	6.60%	,,
After Ac	Rate	Base	1,946,697	3,652,340
	Income For	Return	69,933 \$	154,902 \$
ation Per Books	Overail	Cost/Return	3.52% <b>\$</b> 4.27%	7.79% \$
Application	Rate Embedded		6.60% 9.15%	ıı
	Rate	Base Cost/Reti	1,059,589 928,383	1,987,972
	Ĭ	Ratio	53,30% \$ 46.70%	100.00% \$
	(Note)	Structure	180,000,000 157,737,014	337,737,014 100.00% \$
		Description	Long-Term Debt \$ 180,000,000 53.30% \$ 1,059,589 Common Equity 157,737,014 46,70% 928,383	Totals \$

## Water Operations

				Application Per Books	Per Books		After Ac	counting and !	After Accounting and Pro forma Adjustments	ments	Afte	After Applicant's Proposed	roposed Increas	ų
	Canital		Rate	Fmhedded	Overail	Income	Rate	Embedded	Overail	Income	Rate	Embedded	Overall	Income
Description	Structure	Ratio	Base	Base Cost/Return	Cost/Return	Return	Base	Cost/Return Cost/Retu	Cost/Return	Return	Base	Cost/Return (	Cost/Return	Return
Long-Term Debt \$	180,000,000		5,990	%09'9	3.53% \$	395 \$	352,155	%09'9	3.52% \$	23,242 \$		%09'9	3.52% \$	23,242
Common Equity 157,737,014 46.70%	157,737,014		5,249	572.83%	267.52%	30,068	308,549	-1.35%	-0.63%	(4,165)	308,549		6.80%	44,927
Totals \$_	337,737,014 100.00% \$	100.00% \$	11,239	11	271.05% \$	30,463 \$	660,704	d	2.89% \$	\$ 220,61	660,704	11	10.32% \$	68,169

## Sewer Operations

			Application	ion Per Books		After Ac	counting and F	After Accounting and Pro forma Adjustments	tments	Afte	er Applicant's F	After Applicant's Proposed Increase	Se
	J				Income				Income				Income
apital		Rate	Embedded	_	For	Rate	Embedded	Overall	For	Rate	Embedded	Overall	For
Structure	Ratio	Base	Cost/Return	Cost/Return	Return	Base		Cost/Return	Return	Base		Cost/Return	Return
80,000,000	53.30% \$	1,053,599	%09'9	3.52% \$	4	1,594,542	9.60%	3.52% \$	105,240 \$	1,594,542	%09'9	3.52% \$	105,240
57,737,014	Common Equity 157,737,014 46.70% 923,134	923,134	2.95%		54,901	1,397,094	3.04%	1.42%	42,403	1,397,094	10.03%	4.68%	140,181
337,737,014 100.00% \$	\$ %00.001	1,976,733		6.30% \$	\$ 124,439 \$	2,991,636	•	4.94% \$	\$ 147,643 \$	\$ 2,991,636		8.20%	245,421 <b>S</b>

Note: ORS used the capital structure of the parent company, Utilities, Inc.